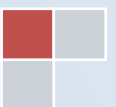




ADULT EDUCATION PARTICIPANT AUDITING MANUAL

SECTION 107, STATE SCHOOL AID ACT

Workforce Development Agency, Office of Adult Education
and
Michigan Department of Education
Effective: July 2015



Adult Education Participant Accounting and Auditing Manual
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INTRODUCTION

Overview

This manual is provided by the Workforce Development Agency (WDA), Office of Adult Education as a resource guide to auditors performing audits of participant count procedures for Adult Education programs. The content and format are intended to be consistent with the similar guidance on pupil membership audits issued by the Michigan Department of Education (MDE). Although not required by either department, it is likely that auditors will often use a consolidated process to conduct the audits of pupil memberships and participant eligibility counts, and also to prepare reports thereon.

Suggested forms and programs have been developed to assist in ensuring that all audits are performed on a standardized basis. The instructions recognize the role of professional judgment by auditors in areas such as audit frequency and sampling, but correspondingly require that the auditors adequately document the basis for such judgments in their work papers. A major guiding principle is that audit resources should be targeted to programs based primarily on assessments of risk.

Relationship to Pupil Membership Audits (MDE)

Following are related provisions of the State School Aid Act regarding pupil audits that, although **NOT** directly pertaining to participants, provide insight into the overall system for membership reporting:

- a. Section 81(6) requires that each Intermediate School District (ISD) employ at least one person who is trained in pupil accounting and auditing procedures, rules, and regulations.
- b. Section 18(4) requires that MDE approve and publish a pupil auditing manual.
- c. Section 18(4) requires that pupil memberships be audited by either an ISD auditor or by a certified public accounting firm.

For reference, the auditor should be aware that the MDE has promulgated administrative rules for calculating memberships that pertain to both pupils (K-12) and participants (Adult Education). Another overlapping item affecting the audits is that school districts often operate classes that include Alternative Education pupils and Adult Education participants.

The State School Aid Act Section 107 and the Administrative Rules can be found on the following websites:

- WDA/Office of Adult Education: www.michigan.gov/wda
(Select Education and Training, then Adult Education Guidebook)
- Michigan Department of Education: www.michigan.gov/mde
 - Act: From left hand side of screen, select Offices, then School Finance and School Law, and then School Law. Under Public Acts, select State School Aid Act
 - Rules: From left hand side of screen, select Offices and then Audits. Under Resources Related to Pupil Membership, select Pupil Accounting Administrative Rules

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SECTION 1 - FIELD AUDIT CYCLE

Policy: Office of Adult Education policy **REQUIRES** that each adult education program be desk audited for each participant count. Office of Adult Education policy **REQUIRES** that all adult education programs be field audited at least once each school year if rated high risk and otherwise every two (2) years.

Professional Judgment: A fundamental principle of this guidance is that audit resources be directed at programs based primarily on assessments of risk. Consequently, professional judgment allows the auditor to change the audit cycle to not less than once every three (3) years for programs rated as low risk. This must be documented in the audit narrative.

Documentation: The auditor must maintain appropriate documentation for: (a) the risk assessments of each program, and, (b) the basis for the programs audited each cycle. Planning for the audit cycle is done at the auditor level.

The documentation for the risk assessments should note:

- The results of the prior participant audits.
- Any indication per the program planning forms that:
 - o inexperienced staff will conduct the participant eligibility counts
 - o the program has changed its data collection system
 - o there are changes in the type/location of programs or consortiums, etc.
- Indications per the desk audit that the documentation is inaccurate or incomplete.

For any given audit cycle, it usually will be most efficient to compile the risk assessments after the completion of the desk audits and review of the local district planning forms.

The documentation of the programs selected for each audit cycle should include:

- The date of the prior audit (relative to the two-year requirement).
- The rating per the risk assessment (including the effect of high or low risk assessments, respectively, that require annual audits or are used as the basis for extending beyond the general two-year rule).

If a local school district operates multiple adult education locations and the auditor elects to audit each location separately, the documentation should clearly indicate the rationale for the audit cycle for each location.

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SECTION 2 - DESK AUDIT PROCEDURES

As noted in Section 1, department policy requires that each adult education program must be desk audited for each participant count. Utilization of the following audit program will provide standardization and allow the auditor to perform the necessary procedures in a more effective and efficient manner. The desk audits should be completed prior to starting the field audits.

The objectives of the desk audit procedures are to verify that:

- a) The program has included only those participants with proper documentation in the participant eligibility count.
- b) The program's participant eligibility counts are supported by program alpha lists and are mathematically accurate.

Required Documentation:

The following reports/records must be submitted by each program to the ISD by the deadline established in the State School Aid Act:

1. Local District Summary: Michigan Student Data System (MSDS) DS4061/DS4120 Audit Form, if applicable, original and one copy
2. Alphabetical lists of eligible participants which must contain, at a minimum, the following information:
 - Participant's legal name
 - Street address, city, state and zip code
 - Participant identification number (if applicable)
 - Date of birth
 - FTE count indicating total FTE per participant. FTE may be rounded to the nearest tenth or hundredth, at the program's discretion, provided there is consistency for the entire program.
 - An indication of the program of enrollment (ABE, GED, HSC, ESL, etc.) in which each participant was enrolled
 - If available from the data collection system, an indication whether the participant has a high school diploma or GED certificate
3. Consortium agreements

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4. Distance Learning Participant: The distance learning participant must be enrolled on or before count day, and if not in attendance on the count day, had detailed weekly documented (online activity log) two-way instruction-related communication with the certified teacher-of-record/mentor which must occur at least one (1) time per week for each week of the four (4) week count period. The first week begins on count day (Wednesday), and continues through the following Tuesday. Each consecutive week will start on Wednesday and end on the following Tuesday, for a total of four (4) weeks including the week that began on count day.

Minimum Desk Audit Procedures

1. Review the alphabetical lists of participant eligibility counts to verify that:
 - a. The lists contain all of the required information.
 - b. All of the age requirements have been met.
 - c. The alphabetical lists of participant eligibility counts do not contain duplicate names.
 - d. The FTE for each participant does not exceed 1.00 and is consistently rounded to one or two decimal places.
 - e. The program totals by program of enrollment on the alphabetical lists of participant eligibility counts match the totals on the Michigan Student Data System (MSDS) DS4061/DS4120 Audit Form.
 - f. The alphabetical lists of participant eligibility counts are signed by an authorized representative.
 - g. Mathematical computations on the alphabetical participant eligibility count lists are accurate.
2. Prepare a brief summary of the results of the desk audit procedures and indicate if this element of the risk assessment is rated as LOW (no exceptions or minor problems), MODERATE (few exceptions, possibly including inability to verify age requirements), or HIGH (large number of exceptions or missing data indicates significant concerns regarding accuracy of the reported participant eligibility count data).

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SECTION 3 - PLANNING FOR LOCAL PROGRAM FIELD AUDITS

The objective of this section is to properly plan the procedures for conducting the field audits of individual programs.

Auditor Independence

Document the independence of the auditor (see Appendix C). If a consolidated audit of pupils and participants is being conducted, one independence form can be used to cover the entire audit. This assessment normally covers all local school districts within an ISD (recommended for organizational arrangements such as consortiums), but may be prepared separately for each site audit. The auditor must not have a conflict of interest with regard to the program to be audited. Such conflicts could include:

- a. The auditor was formerly employed by the school district or program (within the preceding two years).
- b. The auditor has relatives currently employed by the school district or program.
- c. The auditor has a personal or financial interest (e.g., service/employment contract) with the school district or program.

Practical note: *If an auditor has a conflict of interest, the ISD superintendent must be informed and steps should be taken to minimize, if unable to completely eliminate, the conflict of interest. This could be addressed by reassigning the audit to another auditor or by using an outside auditor who is independent (e.g., from another ISD).*

Audit Planning

Perform the following planning steps before the field audit begins:

- a. Review correspondence file, prior audit working papers (schedules and supporting documentation), and prior audit report (including any audit or relevant monitoring reports the program received from other sources).
- b. Review the Participant Accounting Manual
- c. Review the Local District Planning Form (see Appendix C).
- d. Compare current participant eligibility counts by program and category with similar data from the same period of the prior school year. Identify unusual variations in the participant counts and consider whether such conditions indicate a higher potential for inaccurate participant eligibility counts.

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- e. Assess the information reviewed during the preceding step to see if it presents a clear understanding of the program operations, including the staff and systems used for the collection and compilation of attendance data, the location or locations of operations, the existence of consortiums or learning centers, use of term sessions, etc.
 - 1) Briefly summarize the results of this assessment, particularly regarding any factors that support reducing or increasing the assessed risk level.
 - 2) If applicable, note the results of this assessment in the risk assessment in Section 1.
- f. If the program operates in multiple locations, determine if all locations or only selected locations will be covered during the field audit.
- g. Discuss the programs to be audited and the timing of the audit with the responsible program personnel. Also, provide the program staff with a list of items that will need to be available during the field audit. Discussions should include the adequacy of workspace for the auditors, access to participant eligibility count records, and assistance, if any, to be furnished by the program.

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SECTION 4 - LOCAL PROGRAM FIELD AUDITS

The objective of this section is to describe the suggested audit steps to assess the process for ensuring the general accuracy of the claimed FTEs for program participants.

1. Checklist for records at start of audit:

- ___ Attendance records (signed by certified teacher)
- ___ Participant roster or alpha list
- ___ Adult Learning Plan (see Office of Adult Education website at www.michigan.gov/adulteducation)
- ___ Program calendars
- ___ Attendance policy
- ___ Graduation requirements
- ___ List of local school board approved classes
- ___ Building/program schedules
- ___ Program excused absence policy
- ___ Excused absence documentation
- ___ FTE calculations
- ___ Enrollment records:
 - ___ Name
 - ___ Address
 - ___ Birth date (verification documentation)
 - ___ Enrollment in another district (concurrently)
 - ___ Planned program (credits/courses by subject)
 - ___ Transcript or request for transcript (if applicable)
 - ___ Signature of participant
 - ___ Date of enrollment
 - ___ Employer referral (if applicable)
 - ___ Assessment records (pre-enrollment or at required intervals)
- ___ Distance Learning Participant not in attendance on count date:
 - ___ Detailed weekly documented (online activity log) two-way instruction-related communication with the certified teacher-of-record/mentor which must occur at least one (1) time per week for each week of the four (4) week count period.
 - ___ Master Teacher Schedule

2. Scan the attendance records to do a general review of completeness, accuracy, notation methods, recording of first date enrolled, above average absenteeism, etc. Briefly summarize the results of this review, including any items that appear unusual.

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3. Select a sample of participants on a headcount basis in such a manner that each participant has an equal chance of being selected. The standard sample size should be 10% if the program risk assessment was low, 15% if the program risk assessment was moderate, and 20% if the program risk assessment was high. As an alternative, the sample may be capped at 60 if a program with a low risk assessment has more than 600 participants or if a moderate or high-risk assessment increases the minimum sample size to more than 60 participants. If upon selection of the sample there are participant categories that have not been represented in the sample, then the sample must be supplemented by selecting at least one participant from each unrepresented category.

4. Adult Basic Education (ABE)

For each selected sample item, verify that the participant:

- a. Met the age requirement (20 years or older on September 1).
- b. Did not have a high school diploma or GED certificate and was determined to be below 9th grade level in reading or mathematics, or both, based upon a department-approved assessment, OR

Had a high school diploma or GED and was determined to be below 9th grade level in reading or mathematics, or both, based upon a department-approved assessment.
- c. Was enrolled in the program on or before the specified count date.
- d. Was in attendance and received instruction in all classes on the count date (documented by appropriate attendance records). Or, if not in attendance on the count date, that the participant met either the 10-day rule (unexcused absence) or the 30-day rule (excused absence).
- e. Had attendance records that were recorded and signed by a certified teacher. If applicable, all related attendance records must agree with the source documentation.
- f. Was reported for the correct number of FTEs by dividing the number of scheduled participant instruction hours by 450 hours. Also, a participant may not be counted for more than one full time equated (1.0 FTE) participant eligibility count per count period.

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- g. From the population of distance learning courses taken at a participant's self-scheduled time and place with no "regular daily attendance" required of the participant, review a sample to:
- (1) Verify that the distance learning participant was enrolled on or before count day, and if not in attendance on the count day, had detailed weekly documented (online activity log) two-way instruction-related communication with the certified teacher-of-record/mentor which must occur at least one (1) time per week for each week of the four (4) week count period.
 - (2) Verify that the course was approved by the local district board and generated credit toward the participant's grade progression.
 - (3) Verify that the teacher-of-record/mentor was identified.
 - (4) Verify that the teacher-of record/mentor was available for assistance and monitored the participant's progress in the distance learning course, and was responsible for reviewing all course work and assessments that would indicate the participant's success in the course. The teacher-of-record/mentor must be a Michigan certified teacher employed by the school district.
 - (5) Verify that the district paid all fees required for participation in the course.
 - (6) Verify the accuracy of the participant count.

Obtain certification statement signed by a designated school official verifying the following:

- a. Participants had been administered an appropriate Office of Adult Education approved assessment before enrollment to determine that the participant then functioned below the ninth grade level in reading or math, or both, in which the participant received instruction.
- b. Participants were tested by the program using an appropriate Office of Adult Education approved assessment.
- c. Participants retained eligibility. Participants are no longer eligible once assessed at or above the ninth grade level competence, or fails to show progress on two successive Office of Adult Education approved assessments after completing 450 hours of instruction.

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5. English as a Second Language (ESL)

For each selected sample item, verify that the participant:

- a. If less than 20 years of age prior to September 1 has a high school diploma or GED certificate.
- b. Was enrolled in the program on or before the specified count date.
- c. Was in attendance and received instruction in all classes on the count date (documented by the appropriate attendance records). Or, if not in attendance on the count date, that the participant met either the 10-day rule (unexcused absence) or the 30-day rule (excused absence).
- d. Had attendance records that were recorded and signed by a certified teacher. If applicable, all related attendance records must agree with the source documentation.
- e. Was reported for the correct number of FTEs by dividing the number of scheduled participant instruction hours by 450 hours. Also, a participant may not be counted for more than one full time equated (1.0 FTE) participant eligibility count per count date.
- f. From the population of distance learning courses taken at a participant's self-scheduled time and place with no "regular daily attendance" required of the participant, review a sample to:
 - (1) Verify that the distance learning participant was enrolled on or before count day, and if not in attendance on the count day, had detailed weekly documented (online activity log) two-way instruction-related communication with the certified teacher-of-record/mentor which must occur at least one (1) time per week for each week of the four (4) week count period.
 - (2) Verify that the course was approved by the local district board and generated credit toward the participant's grade progression.
 - (3) Verify that the teacher-of-record/mentor was identified.
 - (4) Verify that the teacher-of record/mentor was available for assistance and monitored the participant's progress in the distance learning course, and was responsible for reviewing all course work and assessments that would indicate the participant's success in the course. The teacher-of-record/mentor must be a Michigan certified teacher employed by the school district.

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(5) Verify that the district paid all fees required for participation in the course.

(6) Verify the accuracy of the participant count.

Obtain certification statement signed by a designated school official verifying the following:

- a. Participants had been administered an appropriate Office of Adult Education approved assessment before enrollment to determine that the participant then lacked basic English proficiency (as defined by the Office of Adult Education).
- b. Participants were tested by the program using an appropriate Office of Adult Education approved assessment.
- c. Participants retained eligibility. Participants are no longer eligible once assessed as having attained basic English proficiency (as defined by the Office of Adult Education), or fails to show progress on two successive Office of Adult Education approved assessments after completing 450 hours of instruction.

6. General Educational Development (GED)

For each selected sample item, verify that the participant:

- a. Met the age requirements (20 years or older on September 1).
- b. Did not have a high school diploma or GED certificate.
- c. Was enrolled in the program on or before the specified count date.
- d. Was in attendance and received instruction in all classes on the count date (documented by the appropriate attendance records). Or, if not in attendance on the count date, that the participant met either the 10-day rule (unexcused absence) or 30-day rule (excused absence).
- e. Had attendance records that were recorded and signed by a certified teacher. If applicable, all related attendance records must agree with the source documentation.
- f. Was reported for the correct number of FTEs by dividing the number of scheduled participant instruction hours by 450 hours. Also, a participant may not be counted for more than one full time equated (1.0 FTE) participant eligibility count per count date.

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g. From the population of distance learning courses taken at a participant's self-scheduled time and place with no "regular daily attendance" required of the participant, review a sample to:

- (1) Verify that the distance learning participant was enrolled on or before count day, and if not in attendance on the count day, had detailed weekly documented (online activity log) two-way instruction-related communication with the certified teacher-of-record/mentor which must occur at least one (1) time per week for each week of the four (4) week count period.
- (2) Verify that the course was approved by the local district board and generated credit toward the participant's grade progression.
- (3) Verify that the teacher-of-record/mentor was identified.
- (4) Verify that the teacher-of record/mentor was available for assistance and monitored the participant's progress in the distance learning course, and was responsible for reviewing all course work and assessments that would indicate the participant's success in the course. The teacher-of-record/mentor must be a Michigan certified teacher employed by the school district.
- (5) Verify that the district paid all fees required for participation in the course.
- (6) Verify the accuracy of the participant count.

Obtain certification statement signed by a designated school official verifying the following:

- a. Participants had been administered an appropriate Office of Adult Education approved assessment before enrollment to determine the participant's potential for success on the GED (at or above the ninth grade level in reading or math).
- b. Participants were tested by the program using an appropriate Office of Adult Education approved assessment to determine readiness for the GED test.
- c. Participants retained eligibility. Participants are no longer eligible once passing the GED test, or fail to show progress on two successive Office of Adult Education approved assessments used to determine readiness to take the GED test after completing 450 hours of instruction.

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7. High School Completion (HSC)

For each selected sample item, verify that the participant:

- a. Met the age requirements (20 years or older on September 1; no age restriction if the participant has a GED certificate).
- b. Did not have a high school diploma.
- c. Was enrolled in the program on or before the specified count date.
- d. Was in attendance and received instruction in all classes on the count date (documented by the appropriate attendance records). Or, if not in attendance on the count date, that the participant met either the 10-day rule (unexcused absence) or 30-day rule (excused absence).
- e. Had attendance records that were recorded and signed by a certified teacher. If applicable, all related attendance records must agree with the source documentation.
- f. Had a transcript (or request for transcript) on file.
- g. Has a planned program on file, the local school board approved electives taken by the participant did not exceed the total number of electives prescribed in the planned program, and, classes for which the participant was claimed were not previously successfully completed and claimed.
- h. Was enrolled in a vocational class approved by the local school board that counted for elective or core credit toward a high school diploma for adult high school completion programs, in order to count toward the participant's eligibility.
- i. Was reported for the correct number of FTEs by dividing the number of scheduled participant instruction hours by 450 hours. Also, a participant may not be counted for more than one full time equated (1.0 FTE) participant eligibility count per count date.

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j. From the population of distance learning courses taken at a participant's self-scheduled time and place with no "regular daily attendance" required of the participant, review a sample to:

- (1) Verify that the distance learning participant was enrolled on or before count day, and if not in attendance on the count day, had detailed weekly documented (online activity log) two-way instruction-related communication with the certified teacher-of-record/mentor which must occur at least one (1) time per week for each week of the four (4) week count period.
- (2) Verify that the course was approved by the local district board and generated credit toward the participant's grade progression.
- (3) Verify that the teacher-of-record/mentor was identified.
- (4) Verify that the teacher-of record/mentor was available for assistance and monitored the participant's progress in the distance learning course, and was responsible for reviewing all course work and assessments that would indicate the participant's success in the course. The teacher-of-record/mentor must be a Michigan certified teacher employed by the school district.
- (5) Verify that the district paid all fees required for participation in the course.
- (6) Verify the accuracy of the participant count.

Obtain certification statement signed by a designated school official verifying the following:

- a. Participants had been administered an appropriate Office of Adult Education approved pre-test before enrollment to determine program placement (at or above the ninth grade level in reading or math).
- b. Participants were tested by the program using an appropriate Office of Adult Education approved assessment.
- c. Participants retained eligibility. Participants are no longer eligible once earning the high school diploma, or fails to earn credit in two successive semesters or terms enrolled after having completed 900 hours of instruction.

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8. Job or Employment Related (JER)

For each selected sample item, verify that the participant:

- a. Met the age requirements of 16-19 as of September 1.
- b. Was referred by their employer or potential employer, is enrolled in a job or employment-related adult education program for remedial math or communication arts skills, and is not attending an institution of higher education.
- c. Had a high school diploma or GED certificate.
- d. Was enrolled in the program on or before the specified count date.
- e. Was in attendance and received instruction in all classes on the count date (documented by the appropriate attendance records). Or, if not in attendance on the count date, that the participant met either the 10-day rule (unexcused absences) or 30-day rule (excused absences).
- f. Had attendance records that were recorded and signed by a certified teacher. If applicable, all related attendance records must agree with the source documentation.
- g. Was reported for the correct number of FTEs by dividing the number of scheduled participant instruction hours by 450 hours. Also, a participant may not be counted for more than one full time equated (1.0 FTE) participant eligibility count.
- h. From the population of distance learning courses taken at a participant's self-scheduled time and place with no "regular daily attendance" required of the participant, review a sample to:
 - (1) Verify that the distance learning participant was enrolled on or before count day, and if not in attendance on the count day, had detailed weekly documented (online activity log) two-way instruction-related communication with the certified teacher-of-record/mentor which must occur at least one (1) time per week for each week of the four (4) week count period.
 - (2) Verify that the course was approved by the local district board and generated credit toward the participant's grade progression.
 - (3) Verify that the teacher-of-record/mentor was identified.

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(4) Verify that the teacher-of record/mentor was available for assistance and monitored the participant's progress in the distance learning course, and was responsible for reviewing all course work and assessments that would indicate the participant's success in the course. The teacher-of-record/mentor must be a Michigan certified teacher employed by the school district.

(5) Verify that the district paid all fees required for participation in the course.

(6) Verify the accuracy of the participant count.

Obtain certification statement signed by a designated school official verifying the following:

- a. Participants had been administered an appropriate Office of Adult Education approved pre-test before enrollment to determine program placement and need for remedial math or communication arts skills.
- b. Participants were tested by the program using an appropriate Office of Adult Education approved assessment.
- c. Participants retained eligibility. Participants are no longer eligible once achieving the requisite skills as determined by an Office of Adult Education approved assessment, or fails to show progress on two successive Office of Adult Education approved assessments after completing 450 hours of instruction.

9. Career and Technical Education Courses [Section 107(16) of State School Aid Act]

The intent of Section 107 is to provide participants an opportunity to earn a high school diploma, GED certificate or improve their literacy skills which could lead to obtaining or retaining employment or entering postsecondary.

A Section 107 funded participant can be enrolled in a career and technical education program under section 61a of the State School Aid Act for which the proportion of career and technical education coursework is used to satisfy adult basic education programming.

10. Evaluation of Sample Testing (Appendix E)

Determine and evaluate the audit error rate. Errors noted in the review of the sample items should be accumulated on a headcount basis regardless of the FTE impact. For example, an error of an understatement of .5 FTE and an error of an overstatement of .5 FTE are summarized as 2 errors, although the cumulative FTE error is zero. The error rate is calculated by dividing the cumulative total number of participant records in error by the cumulative total number of sample items reviewed.

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If the initial sample was less than 60 and the error rate is 5% or greater, the auditor IS REQUIRED to expand the sample in increments to 25%, 40%, 55% and then 75% of the population. If the sample error rate is still 5% or greater at the 75% increment, the auditor IS REQUIRED to expand to a 100% review of the population.

If the initial sample selected was 60, the auditor may stop if there are one or fewer errors. If there are two (2) or more errors, the auditor IS REQUIRED to expand the sample in increments to 90, 180, and then 360 records as necessary. If 90 participant records are reviewed and there are three (3) or more errors, the auditor IS REQUIRED to expand the sample to 180 items. If 180 participant records are reviewed and there are seven (7) or more errors, the auditor IS REQUIRED to expand the sample to 360 items. If 360 participant records are reviewed and there are 14 or more errors, the auditor IS REQUIRED to expand to a 100% review of the population.

If the underlying errors are isolated (such as to a particular program category, location, or attribute), professional judgment allows the auditor to focus the expansion of the sample on the subpopulation with the isolated error. Before determining the size and nature of the expanded sample, the auditor should complete appropriate reviews of the documentation and make inquiries of program management to determine if the errors result from a specific weakness in internal controls. The rationale for the selected approach should be briefly but adequately documented in the audit work papers.

10. In cases where the Adult Education program operates at multiple locations and the initial audit did not include all of the locations, if the error rate is between 5% and 10%, it is the auditor's judgment whether the audit testing should be expanded to the remaining locations. If the error rate exceeds 10%, the audit must be expanded to cover all locations.
11. In all cases in which the final program error rate is 10% or more, the auditor IS REQUIRED to notify the Office of Adult Education. The office will notify the Internal Auditors of WDA and MDOE.
12. Conduct an exit conference with appropriate program management, covering:
 - a. Areas in which the program can improve its documentation or counting procedures to accurately report and maximize FTE participant eligibility counts (general findings)
 - b. Specific findings detected and the associated FTE adjustments that are needed
 - c. Program appeal procedures (see Section 6)

Completion of an effective exit conference is important to ensuring the accuracy of the audit report, especially if there are pending FTE appeals. Consequently, the auditor should provide program management with a reasonable opportunity to provide relevant information/documentation that might resolve the audit findings prior to an appeal.

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Risk Percentages: Low = 10%, Moderate = 15%, High = 20%.

Initial Sample (10%)
 1st Expansion (to 25%)
 2nd Expansion (to 40%)
 3rd Expansion (to 55%)
 4th Expansion (to 75%)
 5th Expansion (to 100%)

	<u>Total Population</u>	<u>Risk %</u>	<u>Sample Size</u>	<u># of Errors</u>	<u>% of Errors</u>
<u>Example:</u>					
Initial Sample	400	10%	40	3	<u>7.5%</u>
1st Expansion		25%	60	2	
Cumulative Data			100	5	<u>5%</u>
2 nd Expansion		40%	60	0	
Cumulative Data			160	5	<u>3.1%</u>

Explanation of example:

- 10% x 400 population = 40 participants
- 3 errors divided by 40 sample = 7.5% error rate
- 25% x 400 = 100 minus 40 = 60 participants
- 2 errors in expansion and 3 errors = 5 cumulative errors
- 5 divided by 100 total sample = 5% error rate
- Because the error rate is 5%, a second expansion is needed.
- 40% x 400 = 160 minus 100 = 60 participants
- 0 errors in expansion + 5 errors = 5 cumulative errors
- 5 divided by 160 total sample = 3.1% error rate
- Because the error rate is less than 5%, a third expansion is not needed.

The initial sample must include at least one participant from each category (which may result in the initial sample size being one or a few more than the calculated number).

For any of the expansion decision points, the auditor must use professional judgment if expanding the sample analysis of the errors indicates they were caused by a particular control weakness (such as in a specific category or location). In order to be efficient, the auditor should target the area of the known weakness. However, the method and rationale must be documented.

See Appendix E Sample Summary and Analysis for reporting actual results.

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SECTION 5 - AUDIT REPORTS

To communicate the results of the participant audit, a participant eligibility count audit report must be submitted to the Office of Adult Education and the Michigan Department of Education Office of Audits via the Michigan Student Data System (MSDS), and also to the superintendent of the local school district (or applicable local program managers). The final FTE report is a public record and is available to any interested party.

The final narrative report shall:

- a. Include a description of the scope and objectives of the audit, including: a description of the programs audited; whether a desk audit or field audit was performed; the dates of the audit work; the percent of FTEs audited in each program; and, the number of staff hours spent on the audit by name and title.
- b. Include a statement that the audit was performed in accordance with the Office of Adult Education's Participant Auditing Manual.
- c. Present factual data objectively, accurately, fairly, and completely including only information, findings, and conclusions that are adequately supported by sufficient evidence in the audit work papers.
- d. Present findings, recommendations, and legal references. Fully developed audit findings should include a description of the specific condition noted; the cause (if known); the legal requirement that was violated, including the specific reference; the effect (amount of FTE revision or over/under statement); and, a recommendation.
- e. Be reconciled and tied into the audited Michigan Student Data System (MSDS) DS4061/DS4120 Audit Form.
- f. Be written in language as clear and simple as the subject matter permits and that are concise and thorough.

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SECTION 6 - APPEALS AND REPAYMENTS

This section is based on the premise that program management has attempted to resolve the findings with the auditor as part of the exit conference. As stated in Section 4, Page 11, “the auditor should provide program management with a reasonable opportunity to provide relevant information/documentation that might resolve the audit findings prior to an appeal.”

The Workforce Development Agency (WDA), Office of Adult Education’s policy is to administer an appeal procedure that provides adequate and appropriate due process for program management to resolve items in dispute. Because of the wide range of possible issues, the procedure outlines the basic steps to obtain this objective, but also provides flexibility to the WDA Director to apply specific methods that are appropriate under each circumstance.

The appeal of a participant audit report is a three-step process. The program may first appeal the audit to the ISD Auditor, then to the State Director of the Office of Adult Education within the WDA, and may then appeal the Office of Adult Education State Director’s determination to the Director of the WDA.

1. Appeals to the ISD Auditor must be conducted according to local audit guidelines
2. Appeals to the State Director of the Office of Adult Education within the WDA
 - a. Program appeals of the audit findings must be filed within 30 days after receiving the audit report. The appeal must include a description of the participant eligibility counts being appealed along with rationale and legal references supporting the program’s position. A copy of the appeal should be forwarded to the auditor.
 - b. As appropriate, the supervisor will direct further investigation and request additional information, including input from the Office of Audits, Michigan Department of Education.
 - c. If necessary, the supervisor or designee will meet with program officials and the auditor to discuss the audit findings.
 - d. The supervisor will make a determination either affirming the audit findings or restoring all or part of the appealed participant eligibility counts. The determination will be communicated in writing and indicate that the program has 30 days (from receipt of the decision) to appeal the determination to the director of the WDA.

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3. Appeals to the Director of the WDA

- a. A program may appeal the decision to the Director of the WDA within 30 days of receiving the decision of the supervisor of the Office of Adult Education. The appeal must include a description of the participant eligibility counts appealed along with rationale and legal references supporting the program's position.
- b. The director of the WDA may make a ruling based upon the facts presented or may convene a review panel of one to three members, with the assignment of appropriate WDA staff as determined by the WDA director.
- c. As appropriate, the program will be offered an appeal conference. Staff involved may include the director's designees; hearing officer; affected program managers; and, an Attorney General representative if legal counsel represents the program. The auditor and the Office of Adult Education will be represented as parties to explain, respectively, the audit findings and initial decision, but will not participate in the decision process.
- d. If a review panel is convened, within 30 calendar days of receipt of information and materials, the review panel will draft a decision for consideration by the director of the WDA either affirming the audit findings or restoring all or part of the appealed participant eligibility counts.
- e. The program will receive the written decision signed by the director of the WDA. All decisions will be based on applicable laws and the policies of the WDA, Office of Adult Education.

4. Repayments and Adjustments

The final decision will also be forwarded to the Michigan Department of Education, Office of State Aid and School Finance, in order to make any appropriate accounting adjustments.

Note: The net State aid payments are based on the revised participant eligibility counts per the participant eligibility audit reports, which are considered final until after the conclusion of an appeal.

For related sections of the State School Aid Act, please refer to the following sections:

Section 15(2) states if the result of an audit conducted affects the current fiscal year membership, that the affected payments shall be adjusted in the current fiscal year.

Section 15(3) provides, in the event that new information indicates that the amount paid to a program for a prior fiscal year was incorrect under the law in effect for that year, the Office of State Aid and School Finance may make the appropriate deduction or payment in the program's allocation for the fiscal year in which the determination is made.

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Section 107(17) states in order to receive funds under this section, a district shall furnish to the department, in a form and manner determined by the department, all information needed to administer this program; shall allow the department or the department's designee to review all records related to the program for which it receives funds; and shall reimburse the state for all disallowances found in the review, as determined by the department.

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FTE ADJUSTMENT			FTE Total:		
Participant eligibility counts claimed-beginning balance:					
Participant's Name	Program (ABE, HSC, GED, ESL, JER)	Description	Reference (Statue, Admin. Rule, or Manual Selection)	Claimed FTE	Adjusted FTE
Final Adjusted FTE Count					

Practical Note: The district should be given a reasonable opportunity to resolve the above potential variances before the exit conference. Auditors should attach supporting documentation as considered necessary.

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STATEMENT OF INDEPENDENCE

Auditor Name		
I certify that with all the local districts, I have:	Check if Independent	List Exceptions:
• Not been previously employed or contracted (within two years)		
• No relatives currently employed		
• No personal or financial interest		
With respect to the programs operated by the ISD, I certify that:		
• I am organizationally independent		
• I am objective		
Explain Exceptions and Their Resolutions:		
I ATTEST THAT THE ABOVE INFORMATION IS FACTUAL:		
<div style="border-bottom: 1px solid black; width: 100%;"></div> Auditor's Signature	<div style="border-bottom: 1px solid black; width: 100%;"></div> Date	
IN CASE OF EXCEPTION, I AGREE WITH THE ABOVE RESOLUTION:		
<div style="border-bottom: 1px solid black; width: 100%;"></div> Auditor's Supervisor's Signature	<div style="border-bottom: 1px solid black; width: 100%;"></div> Date	

For consolidated audits of pupils and participants, auditors may complete one statement of independence form to cover both areas.

LOCAL DISTRICT PLANNING FORM

Program: _____

This form should be completed or UPDATED for each participant eligibility count. It should be prepared by program staff and forwarded to the auditor for use in planning the remainder of the field audit.

1. Identify the key program personnel involved in the participant eligibility count, including the individual whom the auditor should contact to make arrangements for the fieldwork. Identification should include name, title, location, phone number, years in position, and a brief description of his/her participant accounting responsibilities.

Name	Title	Location	Phone#	Years in Position	Brief Description of Accounting Responsibilities

2. Provide the following data on the approximate number of participants by location and by category:

Location	Category	Number of Participants
A	ABE	
A	ESL	
A	GED	
A	HSC	
A	JER	
B	ABE	
B	ESL	
B	GED	
B	HSC	
B	JER	
C	ABE	
C	ESL	
C	GED	
C	HSC	
C	JER	

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3. One major purpose of the planning form is to provide the auditors with information about any significant changes that would affect completion of the audit. Following is a checklist of common items. Please indicate if there have been any significant changes and attach documentation as applicable.

- ___ Written procedures for ensuring a complete and accurate participant count
- ___ Program locations or types of program categories
- ___ Systems (automated/manual) for maintaining enrollment and attendance records
- ___ Continuity in key participant eligibility count positions
- ___ Participation in consortiums with other local programs
- ___ Record retention procedures and practices (minimum of three year retention)
- ___ Procedures to ensure that administrative personnel document in writing their review of the completed program alpha lists, including a representation that all program documentation is on file in accordance with State laws
- ___ Training of new staff without experience in participant eligibility accounting rules and procedures

Completed by:

Name/Title: _____

Count Date: _____

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SAMPLE ADULT EDUCATION PROGRAMS CERTIFICATION STATEMENT

(Identify for which Program Year)

Instructions: Complete all sections and submit with other required documentation to your pupil accountant for inclusion in the state aid reporting packet.

Local District _____

Adult Basic Education (ABE)	
1. All ABE participants are administered an appropriate Office of Adult Education approved assessment to determine that the participants then functioned below the ninth grade level in reading or math, or both, in which the participants received instruction.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
2. All ABE participants are tested by the program using an appropriate Office of Adult Education approved assessment.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
3. All ABE participants retained eligibility. Participants are no longer eligible once assessed at or above the ninth grade level competence, or fail to show progress on two successive Office of Adult Education approved assessments after completing 450 hours of instruction.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
English as a Second Language (ESL)	
1. All ESL participants are administered an appropriate Office of Adult Education approved assessment to determine that the participants then lacked basic English proficiency (as defined by the Office of Adult Education).	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
2. All ESL participants are tested by the program using an appropriate Office of Adult Education approved assessment.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
3. All ESL participants retained eligibility. Participants are no longer eligible once assessed as having attained basic English proficiency (as defined by the Office of Adult Education), or fail to show progress on two successive Office of Adult Education approved assessments after completing 450 hours of instruction.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
General Educational Development (GED)	
1. All GED participants are administered an appropriate Office of Adult Education approved assessment to determine the participant's potential for success on the GED (at or above the ninth grade level in reading or math).	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
2. All GED participants are tested by the program using an appropriate Office of Adult Education approved assessment.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
3. All GED participants retained eligibility. Participants are no longer eligible once passing the GED test, or fail to show progress on two successive Office of Adult Education approved assessments used to determine readiness to take the GED test after completing 450 hours of instruction.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable

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High School Completion (HSC)	
1. All HSC participants are administered an appropriate Office of Adult Education approved pre-test to determine program placement (at or above the ninth grade level in reading or math).	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
2. All HSC participants are tested by the program using an appropriate Office of Adult Education approved assessment.	
3. All HSC participants retained eligibility. Participants are no longer eligible once earning the high school diploma, or fail to earn credit in two successive semesters or terms enrolled after having completed 900 hours of instruction.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
Job or Employment Related (JER)	
1. All JER participants are administered an appropriate Office of Adult Education approved pre-test to determine program placement and need for remedial math or communication arts skills.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
2. All JER participants are tested by the program using an appropriate Office of Adult Education approved assessment.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
3. All JER participants retained eligibility. Participants are no longer eligible once achieving the requisite skills as determined by an Office of Adult Education approved assessment, or fail to show progress on two successive Office of Adult Education approved assessments after completing 450 hours of instruction.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
4. A referral letter from participants' employers or potential employers is on file for each post-grad under age 20 enrolled in job training or remedial math or communication arts skills. In addition, we have determined that these participants are not attending institutions of higher learning.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable

Signed: _____

Title: _____

Phone No: _____

Date: _____

[illegible]

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Sample Summary and Analysis

Page 2

Explanation of example:

- $10\% \times 400$ population = 40 participants
- 3 errors divided by 40 sample = 7.5% error rate
- $25\% \times 400 = 100$ minus 40 = 60 participants
- 2 errors in expansion and 3 errors = 5 cumulative errors
- 5 divided by 100 total sample = 5% error rate
- Because the error rate is 5%, a second expansion is needed.
- $40\% \times 400 = 160$ minus 100 = 60 participants
- 0 errors in expansion + 5 errors = 5 cumulative errors
- 5 divided by 160 total sample = 3.1% error rate
- Because the error rate is less than 5%, a third expansion is not needed.

Summary and Analysis:

TEACHER/MENTOR AND ADULT EDUCATION DISTANCE LEARNER CONTACT LOG

District: _____ School Year: _____

Bldg/ Program: _____ Count: ☐ Jul ☐ Sept ☐ Feb ☐ Apr

INSTRUCTIONS: Complete the report below for each adult education participant enrolled and participating in a distance education program. There must be two-way contact between the participant and certified teacher/mentor at least once per week

Participant's Name: _____ Program of Enrollment: _____

Teacher/Mentor: _____

DATE	Contact Type (Check Box)				Comments:
	E=e-mail (with reply)	P=phone conversation	F=face to face	O=other	

I certify that the teacher/mentor is a certificated Michigan teacher employed by the district.
I certify that the teacher/mentor and participant contact information on this log is true and correct.

Signature of Teacher/Mentor _____ Date _____

